PIA SHORT TERM SECURITIES FUND FIRST QUARTER 2015

INVESTMENT COMMENTARY

2015 started with a spectacular, though not unexpected, nearly 12% decline of the Euro. Apparently, Mario Draghi decided that he needed to outdo both Chairman Berkanke and Yellen combined, as he announced a massive stimulus of over 1 trillion of purchases of Euro denominated assets. What seemed obvious to many, now became evident to all when the Euro joined the elite of currencies with banana republic policies, where a country issues debt that is promptly purchased by the central bank of that same country. In this way, modern central bankers have succeeded where the medieval alchemists seeking the philosopher's stone had failed. Instead of promoting societal wealth and economic growth via productivity increases and technological advances, the modern day alchemists believe that they have found their Magnum Opus. Their simple recipe for economic growth is based on how many trillions of their assets central banks will purchase and on how long interest rates will be kept at zero percent. In this theory, growth will be created out of thin air and capital will not be misallocated, which sounds wonderful, because markets clearly enjoy quick and easy outsized returns! Just look at the 18% local return of the Euro STOXX 50 in the 1st quarter of 2015.

Traditional economic theory teaches that healthy competition for limited amounts of capital promotes innovation and long-term economic growth. However, today's global economic strategy has become a game of "just blindly follow the central banker" and modern finance has morphed into the equivalent of the "all you can eat buffet" form of investing. Transforming our economic system from selective capitalism to an all-you-can-eat form of investing can only be unhealthy in the long term; however, it's still too early to fully know the long-term effects on prosperity created by this "buffet-style" economic metabolic system hosted by our central bankers.

First quarter events included a modest stabilization of oil prices, fourth quarter Gross Domestic Product (GDP) was revised down to 2.2%, the official reading of unemployment came down to 5.5%, durable goods and retail sales lagged expectations, Greece vacillated day-to-day between exiting the Euro and remaining a solid member of the Union, and, of course, the Federal Reserve will be patient in their efforts to raise rates! When countries attempt to devalue their currency, each country is caught in a vicious circle of easing and there is no other option but to be patient until events dictate another course of action. The doomsday scenario that never came to be, not only discredited a lot of their authors, but, more importantly, gave their opponents a greater sense of security in pursuing the policies the Cassandras were denouncing. And as always, when vigilance runs low, it is then that the unexpected happens. And after it happens, it then appears so obvious that many wonder how it was missed. The financial crisis of 2008 is a prime example. But, as always, this time is different…until it is not.

For the second quarter of 2015 our strategy remains similar to the first quarter's strategy. Until we move away from Fed rhetoric and promises of Fed actions, which we believe is not close to happening yet, we believe that our current positioning should continue to add value to our portfolios, while maintaining the risk of our portfolios at acceptable levels.

The duration of our portfolio is expected to remain close to the benchmark, BOA Merrill Lynch 1 Yr. Treasury Note, and our yield curve positioning to have a more barbelled structure. Global uncertainties should provide support to the long end of the yield curve, and valuations on a relative basis strongly favor longer maturity US treasuries relative to other foreign government bonds.

Very selective credit overweight continues to be the primary theme of adding value during the 2nd quarter. We maintain our significant overweight in industrial bonds, which has provided our portfolio with additional yield, with also a selective allocation to financials, as we believe that the spreads offered by the financial sector barely compensate for the sector volatility. After we increased our allocation to Agency Mortgage Backed Securities (MBS), the sector outperformed, and valuations are now in a fairly valued range.

We continue to maintain our allocations to our energy sector holdings. Since our emphasis has been on companies that can not only withstand years of reduced oil prices, but also have shown the commitment to maintain their ratings and the willingness to reduce leverage, we are comfortable holding them longer term, as we believe that they should add value to our portfolios going forward.

Evangelos Karagiannis
Senior Vice President,
Senior Portfolio Manager

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Mutual Fund investing involves risk. Principal loss is possible. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in Asset Backed and Mortgage Backed Securities include additional risks that investors should be aware of such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. The Fund may invest in derivatives, which may involve risks greater than the risks presented by more traditional investments. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities that the ETF or mutual fund holds. It will also bear additional expenses, including operating expenses, brokerage costs and the potential duplication of management fees. These risks are fully disclosed in the Prospectus.

Barbell - An investment strategy primarily applicable to fixed-income investing, in which half the portfolio is made up of long-term bonds and the other half comprises very short-term bonds.

Duration - A commonly used measure of the potential volatility of the price of a debt security, or the aggregate market value of a portfolio of debt securities, prior to maturity. Securities with a longer duration generally have more volatile prices than securities of comparable quality with a shorter duration.

Euro STOXX 50 - Europe's leading blue-chip index for the Eurozone, provides a blue-chip representation of supersector leaders in the Eurozone. The index covers 50 stocks from 12 Eurozone countries. The Index is licensed to financial institutions to serve as underlying for a wide range of investment products such as Exchange Traded Funds (ETF), Futures and Options and structured products.

BofA Merrill Lynch 1-Year US Treasury Note Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month that issue is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding Treasury note that matures closest to, but not beyond, one year from the rebalancing date. To qualify for selection, an issue must have settled on or before the month-end rebalancing date. You can not invest directly in an index.

Past performance is not a guarantee of future results.

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Pacific
Income
Advisers

1299 Ocean Avenue Second Floor Santa Monica California 90401

telephone 310.255.4488 facsimile 310.434. 0100

www.pacificincome.com